

OLYMPIA, WASHINGTON

March 1, 2005

The State Finance Committee met in a special meeting after notice duly given to the press and radio of Thurston County.

Present: Michael J. Murphy, State Treasurer  
Brad Owen, Lieutenant Governor

Also Present: Allan J. Martin, Office of the State Treasurer  
Tom Morrill, Office of the Attorney General  
Shad Pruitt, Office of the State Treasurer  
Darlene DeRose, Montague DeRose & Associates  
Nancy Adams, Office of the State Treasurer  
Dean Torkelson, Seattle-Northwest Securities  
Svein Braseth, Office of the State Treasurer  
William Tonkin, Foster Pepper & Shefelman  
Vicki Cox, Office of the State Treasurer  
Rob Shelley, Seattle-Northwest Securities  
Barton Potter, Office of the State Treasurer  
Sue Melvin, Office of the State Treasurer  
Jeff Caldwell, Department of Transportation  
Amy Arnis, Department of Transportation  
Nancy Notter, Office of the State Treasurer  
Bill Starkey, Seattle-Northwest Securities  
Mike Steenhout, Office of Financial Management  
Noah Crocker, Office of the State Treasurer  
Sue Penley, Office of the State Treasurer  
Mike Roberts, Office of Financial Management  
Pam Johnson, Office of the State Treasurer

Chairman Murphy called the meeting to order.

Lt. Governor Owen moved the minutes for the January 25, 2005 meeting be approved. Chairman Murphy seconded the motion. The motion passed and the minutes were adopted.

Mr. Martin said proposed Resolution No. 1009 awards the sale of State of Washington Various Purpose General Obligation Bonds, Series 2005D in the aggregate principal amount of \$319,770,000; fixing the interest rates; in accordance with Resolution No. 1007. The Series 2005D Bonds are tax-exempt current interest bonds. The interest will be paid semi-annually on the outstanding principal. The Series 2005D Bonds are structured to produce an approximate level debt service over the life of the Bonds. Mr. Martin said four bids were received and accepted electronically through Parity at 7:30 a.m. Pacific Time. J.P. Morgan Securities, Inc. submitted a true interest cost (TIC) of 4.4475870%; Merrill Lynch & Co. submitted a TIC of

4.4504918%; UBS Financial Services, Inc. submitted a TIC of 4.4550466%, and Citigroup Global Markets Inc. submitted a TIC of 4.4581038%, with the apparent low bidder being J.P. Morgan Securities, Inc.

Mr. Martin presented proposed Resolution 1009 to the committee.

Resolution 1009 awards the sale of \$319,770,000 State of Washington Various Purpose General Obligation Bonds, Series 2005D, authorized by Chapter 14, Laws of 1989, 1<sup>st</sup> Ex. Sess; Chapter 15, Laws of 1990, 1<sup>st</sup> Ex. Sess.; Chapter 3, Laws of 2003, 1<sup>st</sup> Sp. Sess.; Chapter 18, Laws of 2003, 1<sup>st</sup> Sp. Sess.; Chapter 147, Laws of 2003; and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution 1009. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 1010 awards the sale of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2005E in the aggregate principal amount of \$85,000,000; fixing the interest rates; in accordance with Resolution No. 1008. The Series 2005E Bonds are tax-exempt current interest bonds. The interest will be paid semi-annually on the outstanding principal. The Series 2005E Bonds are structured to produce an approximate level debt service over the life of the Bonds. Mr. Martin said four bids were received and accepted electronically through Parity at 7:30 a.m. Pacific Time. Merrill Lynch & Co. submitted a true interest cost (TIC) of 4.4697033%; Lehman Brothers submitted a TIC of 4.4960747%; UBS Financial Services Inc. submitted a TIC of 4.5203710%, and Citigroup Global Markets Inc. submitted a TIC of 4.5257308%, with the apparent low bidder being Merrill Lynch & Co.

Mr. Martin presented proposed Resolution 1010 to the committee.

Resolution 1010 awards the sale of \$85,000,000 of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2005E, authorized by Chapter 147, Laws of 2003 (RCW 47.10.861), and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution 1010. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin said proposed Resolution No. 1011 awards the sale of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2005F in the aggregate principal amount of \$45,000,000, more or less; fixing the interest rates; in accordance with Resolution No. 1008. The Series 2005F Bonds are tax-exempt compound interest bonds and are for construction of the Tacoma Narrows Bridge. As such, the interest on the Series 2005F Bonds will be paid only at maturity. Mr. Martin said four bids were received and accepted electronically through Parity at 8:00 a.m. Pacific Time. UBS Financial Services Inc. submitted a TIC of 4.8399445%; Citigroup Global Markets Inc. submitted a TIC of 4.8574040%; Lehman Brothers submitted a TIC of 4.8749120%, and J.P. Morgan Securities, Inc. submitted a TIC of 4.9335396%, with the

apparent low bidder being UBS Financial Services Inc. Chairman Murphy said considering the number of bonds issued on a national level this week, the numbers are pretty good.

Mr. Martin presented proposed Resolution 1011 to the committee.

Resolution 1011 awards the sale of \$45,000,000, more or less, of State of Washington Motor Vehicle Fuel Tax General Obligation Bonds, Series 2005F, authorized by Chapter 321, Laws of 1998 (Referendum 49) (RCW 47.10.843), and Chapter 39.42 RCW.

Lt. Governor Owen moved to adopt Resolution 1011. Chairman Murphy seconded the motion and the resolution was adopted.

Mr. Martin proposed Resolution No. 1012 provides a one-year extension of the statewide Fiscal Agent Agreement as recommended by local government stakeholders and Debt Management staff. Chapter 43.80 RCW requires the State Finance Committee to appoint a fiscal agent(s) to serve as paying agent to bond holders on bonds issued by the state and its political subdivisions. The current Fiscal Agency Agreement between the Bank of New York and the State of Washington provides an initial term of four years that commenced February 1, 2002 and will end January 31, 2006. The agreement provides an option for the State Finance Committee to extend the term of the agreement for an additional one-year period.

Mr. Martin said because of the size and complexity of the statewide services provided by the fiscal agent, the Fiscal Agent Agreement extension recommendation is being presented to the Committee well in advance of the contract expiration. The Bank of New York (BONY) and its local representative, Wells Fargo Bank, provide fiscal services on a total par value of \$40,097,842,097.24 for bonds issued by Washington State, its 39 counties and 271 of its junior taxing districts. The Request for Proposal (RFP) has typically been a nine-month process that has required documentation reviews, presentations, site visits, due diligence reviews and polling of stakeholders. If the State Finance Committee does not extend the term of the agreement for the additional one-year period, the RFP process would need to take place this year.

Mr. Martin said since 1997, representatives of the Washington State Finance Officers Association, Washington Municipal Treasurers Association and Washington State Association of County Treasurers have traveled to New York to conduct an annual due diligence review. Recent local government participants were solicited to help in formulating a recommendation to the Committee. Having represented their organizations during the fiscal agent performance evaluation, they have special insight on how well BONY is meeting the needs of local government. The representatives were asked to provide letters to the Committee, either recommending exercising the one-year extension option or presenting any concerns that would cause the Committee to start the RFP process to select a fiscal agent to serve for the next four years. Letters of recommendation to extend the contract period were provided to the Committee. Debt Management staff, therefore, concluded BONY is meeting the needs of the state and its local governments and recommended that the Committee exercise the one-year extension option. Mr. Tonkin said all terms and conditions of the contract will remain which will save local governments money.

Mr. Martin presented proposed Resolution 1012 to the committee.

Resolution 1012 authorizing a one-year extension of the initial term of the Fiscal Agency Agreement with The Bank of New York dated February 1, 2002, to January 31, 2007.

Lt. Governor Owen moved to adopt Resolution 1012. Chairman Murphy seconded the motion and the resolution was adopted.

There being nothing further to come before the committee, the State Finance Committee meeting was adjourned at 9:43 a.m. and the Public Deposit Protection Commission meeting was called to order.

STATE FINANCE COMMITTEE  
STATE OF WASHINGTON

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Michael J. Murphy, State Treasurer & Chairman

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Christine O. Gregoire, Governor & Member

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Brad Owen, Lieutenant Governor & Member

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Allan J. Martin  
Deputy State Treasurer & Secretary